

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

December 11, 2014

- 11:25 a.m. **Lunch**
- 11:55 a.m. **Call to order**
Todd Bower
- Approval of October 30 board meeting minutes
Approval of November 14 educational session minutes
- Consent agenda**
Amendment to the Aurora Old Hire Fire Pension Plan
- 12:00 p.m. **Investment Report**
Scott Simon
Review of October 2014 performance
Review of Managers
CEM & RVK survey results
- 12:40 p.m. **Portfolio & Capital Markets Review - Q3**
John Linder, Pension Consulting Alliance
- 1:10 p.m. **Break**
- 1:20 p.m. **Private Equity & Private Credit Portfolio Review**
Dale Martin, Claud Cloete, Sean Ross
- 2:20 p.m. **2015 Budget approval**
Dan Slack, Kim Collins
- 2:35 p.m. **Break**
- 2:45 p.m. **Staff Report**
Executive Director & staff report
Dan Slack
Proposed travel
Dan Slack
Legal report
Kevin Lindahl
Fee-shifting bylaws and charter provisions
Kevin Lindahl
Approval of RFP for securities litigation counsel
Kevin Lindahl
Amendments to the FPPA Staff 457 Plan
Mike Sutherland

FIRE and POLICE PENSION ASSOCIATION

Board of Directors

December 11, 2014

Continuation of Staff Report

Approval of "Board hire" contracts

Dan Slack, Kevin Lindahl

1. PCA contract
2. Internal Auditor
3. Medical Advisor
4. Hearing Officer

Other matters

3:50 p.m.

Chair's Report

Todd Bower

2015 Calendar review

Dan Slack

4:00 p.m.

Adjourn

4:30 p.m.

Holiday Reception (Maggiano's Little Italy)

**Fire and Police Pension Association
Minutes – Board of Directors Meeting
December 11, 2014**

**FPPA Office
5290 DTC Parkway, Suite 100
Greenwood Village, CO**

Board Members Present: Chair Todd Bower, Vice Chair Jack Blumenthal, Dave Bomberger, Sue Eaton, Pam Feely and Nick Nuanes

Board Members Absent: Manuel Esquibel, Tyson Worrell

Staff Members Present: Dan Slack, Kim Collins, Kevin Lindahl, Gina McGrail, Scott Simon, Elaine Gorton, Jacqueline Tara, Dale Martin, Ben Bronson, Claud Cloete, Sean Ross, Jessica Hsu and Mike Sutherland

Others Present: John Linder and Ryan Lobdell, Pension Consulting Alliance

Notice of this meeting and a copy of the agenda were posted outside the meeting room and on the FPPA website at least twenty-four hours prior to the meeting.

At 11:56 a.m., Chair Bower called the meeting to order.

Chair Bower called for a motion to approve the minutes of the October 30, 2014, board meeting. Mr. Bomberger moved to approve the minutes. Ms. Feely seconded the motion. The motion carried with Mr. Stanton abstaining.

Chair Bower called for a motion to approve the minutes of the November 14, 2014, board meeting. Ms. Feely moved to approve the minutes. Mr. Bomberger seconded the motion. The motion carried with Mr. Stanton and Mr. Nuanes abstaining.

Chair Bower called for a motion to approve the Consent Calendar. Ms. Feely moved to approve the Consent Calendar. Mr. Stanton seconded the motion. The motion carried.

Investment Report

Investment Committee Update

Mr. Stanton reviewed the topics of the Investment Committee meetings held since the last Board meeting.

- A \$16 million investment to Autonomy Global Macro (absolute return)
- Several year-end redemptions of hedge fund managers (Coatue, Lubben,

AAM Absolute Return, Dymon Asia Macro, Marshall Wace, Brigade, Brevan Howard Commodities)

- Discussion on the public equity portfolio

Monthly Investment Report

Mr. Simon presented the economic recap and financial performance for October 2014. Despite a steady start, the end of the month experienced volatility, primarily due to geopolitical events and fluctuation in currency. The U.S. continued to show strong GDP growth and job growth. During November oil continued to decline to \$60 per barrel, down from peaks in June at \$110 per barrel.

Total Fund performance (net of fees) for the month was + **0.81% in October (+5.65% YTD)** and Net Investible Assets for the Total Fund are estimated at **\$4.15 billion** as of October 31, 2014.

Mr. Simon directed the Board's attention to the results from two investment peer comparison surveys that FPPA participates in annually: CEM and RV Kuhns.

Mr. Slack mentioned that an educational session discussing the investment diligence process will be offered directly following January's Board meeting.

Mr. Simon noted the Alignment of Interests Association (AOI) invited FPPA to be a charter member. AOI is a non-profit, investor-driven organization dedicated to strengthening the alignment between hedge fund industry participants and advancing the interests of hedge fund investors. This invitation came about as a result of Mr. Slack's work with the founder of AOI. FPPA will be part of the steering committee, serving to add institutional guidance and continuity and help determine which issues merit member collaboration and communication. AOI meets quarterly and interested Board members are welcome to attend.

Mr. Simon highlighted numerous other industry organizations at various levels where FPPA staff participates.

Reference was made to a write-up article available in the board packet written by a private equity analyst regarding FPPA's emphasis and focus on small-niche funds that other big funds are not able to do.

Portfolio and Capital Market Review

Mr. Linder presented an update regarding FPPA's Risk Metrics report. Highlights included a significant change with the sentiment indicator turning to neutral, a decline in inflation over the last couple of months, and lastly, the U.S. equity valuations remaining extremely elevated.

Mr. Linder continued with review of the 3Q 2014 portfolio, noting the total aggregate value at \$4.1 billion, a \$310 million increase over the last year and a

\$23.8 million decline from the high reached in June 2014. FPPA is above the policy benchmark for the 1-year and 3-year periods but slightly lags on a 5-year basis.

At 1:03 p.m., Chair Bower called for a break. At 1:18 p.m., the meeting reconvened. Mr. Cloete joined the meeting.

Private Equity & Private Credit Portfolio Review

Mr. Martin presented an update on FPPA's Private Equity and Private Credit Portfolio. Mr. Martin reported that the portfolio was on pace to achieve the 2014 targeted annual commitment pacing of \$250 million.

Mr. Stanton asked if changes were expected to FPPA's energy commitments. Mr. Martin reported that Investment team had slowed down commitments to energy as early as late 2013, and while the drop in oil prices does present some challenges, alternative strategies are available and will be reviewed by the team.

The Investment team will continue to research more qualitative and quantitative due diligence for reporting resources, along with exploring better tools and professional development opportunities, lending itself to a more efficient and refined team and assist in longer term benefits to the plan.

Chair Bower voiced an appreciation of the efforts of the Investment team in successfully managing the downside risk in bad markets, resulting in positive returns for FPPA's portfolio.

At 2:08 p.m. Misterys Martin, Bronson, Cloete, and Ross and Ms. Hsu left the meeting.

2015 Budget review

Ms. Collins outlined changes to the 2015 budget since the presentation in October, directing the Board's attention to the budget increase in the *Salaries* category due to 27 pay periods occurring in 2015 (a timing issue of the biweekly pay periods). Ms. Collins also noted that 2016 will have only 25 pay periods. Due to increased staffing in 2015, the *Employment Programs* category was increased to accommodate potential recruiting fees. The *Bank Fees* budget item saw additional savings, as Wells Fargo is under contract with the State of Colorado and FPPA, as a political subdivision, is eligible for the same pricing.

Ms. Eaton asked Ms. Gorton to confirm the calculation of the *Salaries* figure.

Ms. Feely moved to approve the 2015 Budget as presented, with the *Salaries* as confirmed. Mr. Stanton seconded the motion. The motion passed.

At 2:14 p.m., Chair Bower called for a break.

At 2:26 p.m., the meeting reconvened. Mr. Sutherland joined the meeting.

Staff Report

Executive Director's Report

Mr. Slack updated the Board on matters included under the Staff report in the Board packet. Although FPPA's portfolio doesn't currently have an allocation to infrastructure as an asset class, investment possibilities continue to be explored in this area. Additional information was learned as Mr. Slack and Mr. Simon held a conversation with CalPERS' CIO regarding their infrastructure and private equity investing program.

Mr. Slack shared information about a recent hacking of the external facing websites (FPPACO.org and Election Central website) hosted by *GoDaddy*. This was not a malicious attack, as the hyperlinks simply redirected to another site. FPPA is evaluating whether or not to continue using *GoDaddy*, to have additional services around that site, or to select another hosting site. Ms. Collins reviewed the website archiving solution that identified the problem.

Mr. Slack directed the Board's attention to the memo in the Board packet on the Defined Benefit Selection Project for the SWH-MP Members. Ms. McGrail reviewed the memo and the sample notice sent to eligible members.

Unless the Board disapproves, Mr. Slack will accompany Mr. Cooley on an upcoming international investment diligence trip with a main focus of investigating the details of the transition from BlueTrend to Systematica and to assure ourselves of the depth and stability of the new investment firm. Mr. Slack also asked for the Board's approval to speak at various Latin American conferences organized by Latin Markets. The next such event is the Colombian Investors Forum in March in Bogotá on the topic of global asset allocation from a pension fund's perspective. Mr. Slack offered to use vacation time for these events and will not submit any out-of-pocket expenses to FPPA. Mr. Blumenthal acknowledged the value to FPPA of Mr. Slack's invitation to speak at the Latin Markets events and suggested that such expanded education and exposure should not require him to use accrued vacation time while representing FPPA.

Mr. Blumenthal moved to approve the travel, with the understanding that no out-of-pocket expenses will be incurred by FPPA for Mr. Slack's travel and participation in the Latin Markets conferences. Mr. Nuanes seconded the motion. The motion passed.

Legal Report

Mr. Lindahl presented the General Counsel's Legal Report as included in the Board packet. Mr. Lindahl reported that FPPA's settlement offer was rejected by Mr. Dolan. Dolan's request for an extension to file a response to FPPA's re-asserted motion for summary judgment granted by Court to December 8, 2014, and FPPA's reply now due January 2, 2015. A new judge ruled on the most recent motion for an extension. FPPA is determining whether a new judge has been permanently assigned.

In answer to Chair Bower's question on the settlement offer to Mr. Dolan, Mr. Lindahl replied that the settlement was made and rejected.

Mr. Sutherland shared information on the separation of Patrick Wilson from Murray Dahl Kuechenmeister & Renaud LLP and his joining a new firm called Hayes Phillips, Hoffmann, Parker, Wilson, Carberry, P.C.. Mr. Wilson expressed interest in maintaining his representation of FPPA on the Dolan litigation and Mr. Dahl would like to continue to act as counsel for FPPA's Board in member disability matters such as the case discussed in September. Mr. Lindahl asked if the Board had any concerns with these changes and if not, counsel will move forward for formal approval in January 2015.

Mr. Blumenthal moved to authorize substitution of counsel, having Patrick Wilson continuing on as counsel and have the new firm as firm of record. Mr. Bomberger seconded the motion. The motion passed.

Mr. Lindahl shared the recent selection of Jackson Walker, a firm out of Austin, Texas, as an addition to the investment counsel pool.

Affiliated Old Hire Pension Plans and Volunteer Fire Pension Plans Employers

Ms. Collins discussed the new requirements under the Service Organization Controls (SOC) Audit, and guidelines from the American Institute of Certified Public Accountants (AICPA) to collect and validate census data from the employers for the GASB 68 reporting and actuarial reporting.

Fee-shifting bylaws and charter provisions

Mr. Lindahl reviewed the memo in the Board packet, requesting support for ban on "fee-shifting" and charter provisions.

Ms. Feely moved that the Board support efforts to enact legislation in Delaware that prohibits stock corporations from imposing fee-shifting to shareholder plaintiffs in securities litigation actions. She further moved that the Board authorize the Executive Director to take such actions as he deems warranted to express the Board's support in this matter. Mr. Bomberger seconded the motion. The motion passed.

RFP for securities litigation counsel

Mr. Lindahl spoke to the draft RFP in the Board packet for securities litigation counsel. In line with the Board's policy of the selection process, firm names will be presented to the Board in January for selection of interviews in February.

Ms. Feely moved that the Board authorize the issuance of a Request for Proposals for securities litigation monitoring counsel. Mr. Nuanes seconded the motion. The motion passed.

Amendments to the FPPA Staff 457 Plan

Mr. Sutherland highlighted the topics incorporated in the proposed amendments to FPPA Staff 457 Deferred Compensation Plan.

Ms. Feely moved that the Board approve Resolution 2014-13 amending the FPPA Staff Deferred Compensation Plan Document. Mr. Nuanes seconded the motion. The motion passed.

At 3:22 p.m., Misters Sutherland, Linder, and Lobdell left the meeting.

Pension Consulting Alliance contract

Mr. Slack opened the discussion of renewing the three-year general investment consulting agreement with PCA (Pension Consulting Alliance). Mr. Simon reviewed the agreed fees for PCA to the satisfaction of the Board.

Ms. Feely moved for approval of the general investment consulting agreement with Pension Consulting Alliance through the year 2017. Mr. Bomberger seconded the motion. The motion passed.

Internal Auditor

Mr. Slack discussed the renewal of the internal auditor contract with Tim O'Brien. He noted that Mr. O'Brien is running for City Auditor for the City of Denver; the election will take place in May 2015. Should he be elected, he will resign as FPPA's internal auditor and another internal auditor will need to be selected.

Mr. Bomberger asked about hiring a full-time in-house auditor. The Board agreed with Mr. Slack that the costs for a full-time staff person would far exceed the costs of retaining an internal auditor under contract.

Ms. Feely moved for approval of the agreement with Timothy O'Brien to provide internal audit services during the year 2015. Mr. Bomberger seconded the motion. The motion passed.

At 3:32 p.m., Mr. Linder and Mr. Lobdell joined the meeting.

Medical Advisor

Mr. Bomberger moved for approval of Amendment No. 5 to the Board's contract with Dr. Clarence Henke to act as the Board's Medical Advisor through the year 2015. Ms. Feely seconded the motion. The motion passed.

Hearing Officer

Mr. Bomberger moved that the Board extend the appointment of Thomas Kanan as a Hearing Officer and approve the Amendment and Extension No. 1 through the year 2015. Ms. Feely seconded the motion. The motion passed.

Chairman's Report

Chair Bower moved that the Board authorize FPPA to prepare a plaque to be posted in FPPA's lobby area identifying the members of the SWDB Task Force on member contributions and their efforts, along with a home sized plaque recognizing each member personally. Mr. Blumenthal seconded the motion. The motion passed.

On behalf of PCA, Mr. Linder thanked the Board for a long working relationship and noted that PCA looks forward to the future.

At 3:50 p.m., Mr. Bomberger moved to adjourn the meeting. Ms. Feely seconded the motion. The meeting adjourned.